STAFF PENSION PLAN FOR EMPLOYEES OF THE SASKATCHEWAN LEGAL AID COMMISSION

FINANCIAL STATEMENTS

For the Year Ended December 31, 2001

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V7

Phone: (306) 787-6398
Fax: (306) 787-6383
Internet e-mail: info@auditor.sk.ca

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan.

I have audited the statement of net assets available for benefits of the Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission (Plan) as at December 31, 2001 and the statement of changes in net assets available for benefits for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2001 and changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
March 7, 2002

Fred Wendel, CMA, CA
Acting Provincial Auditor

STAFF PENSION PLAN FOR EMPLOYEES OF THE SASKATCHEWAN LEGAL AID COMMISSION
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
As at December 31

	2001	2000
Assets		
Investments (Note 3)		
Forfeiture account	$ 71	$ 2,329
Guaranteed funds	2,496,798	2,980,704
Pooled funds	7,806,790	7,788,990
	10,303,659	10,772,023
Prepaid Expenses	1,244	—
Total assets	10,304,903	10,772,023
Liabilities		
Administrative expenses payable	—	14,514
Net Assets Available for Benefits (Statement 2)	$ 10,304,903	$ 10,757,509

(See accompanying notes to the financial statements)

Statement 2

STAFF PENSION PLAN FOR EMPLOYEES OF THE SASKATCHEWAN LEGAL AID COMMISSION
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For The Year Ended December 31

	2001	2000
Increase In Assets		
Investment income		
Interest	$ 144,511	$ 147,339
Current period change in market values of Pooled investments	—	574,346
Contributions		
Member's required	369,550	352,744
Member's voluntary	790	1,942
Employers	369,550	352,744
Total increase in assets	884,401	1,429,115
Decrease In Assets		
Current period change in market values of Pooled investments	359,410	—
Administrative expenses (Note 4)	21,088	34,023
Transfers and refunds	956,509	150,154
Total decrease in assets	1,337,007	184,177
(Decrease) Increase in net assets	(452,606)	1,244,938
Net assets available for benefits at beginning of year	10,757,509	9,512,571
Net Assets Available for Benefits at end of year (Statement 1)	$ 10,304,903	$ 10,757,509

(See accompanying notes to the financial statements)

STAFF PENSION PLAN FOR EMPLOYEES OF THE
SASKATCHEWAN LEGAL AID COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2001

1. Description of Plan

The following description is in summary only. For more complete information, reference should be made to the Plan document.

a) General

The Staff Pension Plan for Employees of The Saskatchewan Legal Aid Commission (Plan) is a defined contribution plan registered under The Pension Benefits Act, 1992 of Saskatchewan (the Act).

The Plan was established as the Staff Pension Plan for the Employees of the Saskatchewan Community Legal Services Commission on November 1, 1977. The Plan was amended and the new name created as at September 1, 1983.

b) Administration

Effective January 1, 1996, the Plan is administered and sponsored by a joint trustees arrangement. The joint trustees consist of four members, two appointed by The Saskatchewan Legal Aid Commission (Commission), and two appointed by C.U.P.E., Local 1949. Day-to-day administration is provided by the Commission for the Trustees.

Prior to January 1996, the Trustees had an agreement with the North American Life Assurance Company (NALAC) to serve as the Plan's investment agency, investment custodian, and record keeper. Effective January 1, 1996, NALAC amalgamated with the Manufacturers Life Insurance Company (Manulife Financial) and this agreement continues with Manulife Financial.

c) Contributions

All employees hired on or after January 1, 1996 contribute 5% of their earnings each year. Employees hired prior to January 1, 1996 contribute between 5% and 8% of their earnings. This amount is matched by the Commission. The Commission's contributions are vested after two years of service and all members' contributions made before 1994 are considered additional voluntary contributions. The Commission's contributions made before 1994 are considered required contributions and subject to the minimum requirements of the Act.

Members may make additional voluntary contributions which are not matched by the Commission.

d) Retirement, termination, or death

Upon retirement from employment, termination or death, a member's pension benefits, subject to vesting status, must be transferred from the Plan to another financial institution. Effective September 1, 2000, a member whose employment is terminated with the Commission must elect to transfer benefits from the Plan. If the member fails to make an election within 90 days after being provided with a statement outlining options and deadlines, the member's account will be transferred to a deferred life annuity which is not commutable.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policy is considered significant:

Investments:

Investments in Guaranteed funds are valued at cost plus interest earned on the funds which approximates market value.

Investments in Pooled funds are recorded at market value which are determined by reference to closing year end unit prices. Current period changes in value of Pooled funds are accounted for in the Statement of Changes in Net Assets Available For Benefits.

For investments held, fair value approximates quoted market values.

Interest income is recorded as earned.

3. Investments

The Plan allows participating members to invest in either the Guaranteed or Pooled funds. These funds offer a choice of different levels of income and growth, guarantees and risk taking.

The members' interest rate risk arises from the potential adverse consequences of interest rate changes on the value of the Plan's assets.

The members' credit risk for Guaranteed funds is minimal as all investments consist of Guaranteed Investment Certificates (GIC's). For Pooled funds, the Trustee's Statement of Investment Policy and Goals[1] limits members' credit risk by requiring investment dealings to be with investees and counterparts considered to be of high quality and by setting the following investment limits and constraints:

---

[1] The Trustee's Statement of Investment Policy and Goals is in accordance with *The Pension Benefits Act*, 1992.

- limiting the amount invested in individual equities to 10% of the outstanding shares of an issuing corporation;
- limiting the amount invested in individual bonds of any one corporation to not more than 10% of the book value of the outstanding bonds;
- permitting no investments in venture capital funds; and
- permitting no speculation in derivative instruments such as options, futures and warrants, but is allowed under a hedging strategy.

Forfeiture Account: This account represents non-vested benefits forfeited by terminated employees. This fund is made up of a current interest bearing account .

Guaranteed funds: The Guaranteed funds offered by the Plan are managed by Manulife Financial. These funds are made up of a current interest bearing account and GIC's from 1 to 10 years in length.

Pooled funds: The Pooled funds are managed by various investment managers under contract with Manulife Financial. The Funds have no fixed interest rate and the Pooled funds return are based on the performance of the funds. These funds include investment in the following Manulife Financial Funds at December 31, 2001:

Seamark Balanced Fund: This fund invests in cash and short-term investments, Canadian fixed income securities excluding mortgage loans, Canadian and foreign common stocks and convertible securities, and American depository receipts.

Canadian Equity Index Fund: This fund is managed to provide a rate of return based on the performance of the TSE 300 Index. This fund will It invest directly in common stocks and may use derivative instruments such as futures in order to replicate the securities of the TSE 300 total return index.

McLean Budden Canadian Equity Growth Fund: This fund invests in a diversified portfolio of Canadian stocks and convertible securities.

AGF American Growth Fund: Primary investments are in securities of established American companies whose net income is considered likely to grow at above average rates in the future.

Seamark International Equity Fund: This international stock fund invests in cash and short-term investments and publicly traded common stocks and convertible securities of companies in Europe, Australia, New Zealand, Asia and emerging economies.

McLean Budden Balanced Growth Fund: This fund invests in Canadian and U.S. equities and fixed income securities issued by Canadian governments and corporations.

McLean Budden Fixed Income Fund: This fund invests in a diversified portfolio of high quality Canadian debt securities such as bonds, debentures and T-Bills.

Elliot & Page Money Fund: This fund invests in high quality, short-term fixed income securities maturing within 365 days of acquisition, including securities issued or guaranteed by Canadian federal or provincial governments or their agencies, Canadian chartered banks, or loan or trust companies licensed or registered in Canada.

Investments at December 31	Market Value	
	2001	2000
Forfeiture Account		
Current Interest Deposit Account	$ 71	$ 2,329
Guaranteed funds:		
Current Interest Deposit Account	30,590	29,275
1 Year Term	270,312	680,286
2 Year Term	7,586	—
3 Year Term	111,476	94,554
5 Year Term	2,076,392	2,176,170
10 Year Term	442	419
	2,496,798	2,980,704
Pooled funds:		
Seamark Balanced Fund	2,530,578	2,359,834
Canadian Equity Index Fund	1,422,221	1,774,969
McLean Budden Canadian Equity Growth Fund	1,021,787	985,989
AGF American Growth Fund	863,589	942,805
Seamark International Equity Fund	838,448	934,702
McLean Budden Balanced Growth Fund	762,376	555,082
McLean Budden Fixed Income Fund	316,117	232,165
Elliot & Page Money Fund	51,674	3,444
	7,806,790	7,788,990
Total investments	$ 10,303,659	$ 10,772,023

4. Administration Expenses

Effective January 1, 2000, the Plan entered into an agreement with Aon Consulting Inc. to help administer the annual operating expenditures associated with the Plan's administration. The Pension Plan Document allows for the payment of the following expenses from the pension fund.

- The fees of the investment manager and fund custodian; and
- Any expenses reasonably and properly incurred by the Trustees in the administration and operation of the Pension Plan and Pension Fund.

Any forfeited amounts which arise shall be applied towards the payment of any fees and expenses incurred by the plan.

5. Related Party Transactions

Transactions with the Commission (a related party) and amounts due to or from it are described separately in these financial statements and the notes thereto.

The day-to-day administration provided by the Commission and Trustees are provided without charge to the plan.

6. Investment performance

The investment manager makes day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives. The Trustees review the investment performance of the plan in terms of the performance of benchmark portfolio over 4 year rolling periods. The primary long-term investment performance objective for the entire portfolio is to out perform a benchmark portfolio.

Each member makes the investment selection of the member and Commission contributions. The Plan allows participating members to invest in either Guaranteed or Pooled funds. These funds offer a choice of different levels of income and growth, guarantees and risk taking.

The following is a summary of the Plan's investment performance at December 31, 2001 (2000):

	Actual Rate of Return 2001 (2000)(a)	One Year Average Investment Objective Return (b)	Rolling Four Year Average Rate of Return (b)	Rolling Four Year Average Investment Objective Return (b)	Investment Objectives
GICs 1 year 2 year 3 year 5 year 10 year	Range during the year: 1.15% to 4.3% (4.675% to 5.05%) 2.525% to 4.425% (4.8% to 5.425%) 3.025% to 4.55% (4.925% to 5.625%) 4.15% to 4.925% (5.175% to 6.0%) 4.65% to 5.175% (5.3% to 6.0%)		Not applicable	Not applicable	90% of the average guaranteed rate of return offered by a group of 5 financial institutions for the same period
Manulife Seamark Balanced Fund	5.7% (16.4%)	-3.0% (5.0%)	12.0% (14.1%)	6.4% (11.1%)	107.5 of the return on the benchmark portfolio

	Actual Rate of Return 2001 (2000)(a)	One Year Average Investment Objective Return (b)	Rolling Four Year Average Rate of Return (b)	Rolling Four Year Average Investment Objective Return (b)	Investment Objectives
Manulife Canadian Equity Index Fund	-12.8% (7.7%)	-12.5% (7.6%)	5.5% (12.5%)	5.1% (12.5%)	100% of the return on the TSE 300 Index
Manulife McLean Budden Canadian Equity Growth Fund	1.0% (18.4%)	-12.5% (7.6%)	10.1% (15.0%)	5.6% (13.84%)	110% of the return on the TSE 300 Index
Manulife AGF American Growth Fund	-16.0% (-12.1%)	-6.4% (-5.5%)	10.6% (24.3%)	9.5% (21.9%)	110% of the return on the S & P 500 Index
Manulife Seamark International Equity Fund	-12.0% (14.2%)	-16.6% (-10.8%)	18.4% (28.6%)	3.8% (10.9%)	110% of the return on the MSCI/EAFE Index
Manulife McLean Budden Balanced Growth Fund	2.5% (12.1%)	-3.0% (5.0%)	8.6% (12.3%)	6.4% (11.1%)	107.5% of the return on the benchmark portfolio
Manulife McLean Budden Fixed Income Fund	8.5% (11.8%)	8.1% (10.3%)	7.5% (7.5%)	6.8% (7.8%)	105% of the return on he Scotia McLeod Universe Bond Index
Manulife Elliot & Page Money Fund	4.6% (5.3%)	4.7% (5.5%)	4.7% (4.5%)	4.9% (4.5%)	100% of the return on the Scotia McLeod 91 days T-Bills Index

a) The annual returns are before deducting investment expenses. Source: Manulife Financial
b) Source: Aon Consulting Inc.